FOR MYSORE STATE

Health (1953) Department,

MS SERIES.

G.O. NO.	2810, Health.
Dated	27th July, 1953.

[Despatch Abstract.]

Water Supply - Mangalore Municipality - Raising a loan in Open Market - Instructions issued -

RESERVE BANK OF INDIA

Telegrams: "RESERVIST" Madras

MADRAS No. 1
Public Debt Office

Post Box No. 40

Reference No. PDO/NL/5472 21st May 1953

The Secretary to the Government of Madras,
Finance Department,
Fort St. George,
MADRAS.

Dear Sir,

We forward herewith letter No.Roc. B6/9209/53 dated the 5th May 1953, in original, received from the Commissioner, Mangalore Municipality, Mangalore for favour of direct disposal.

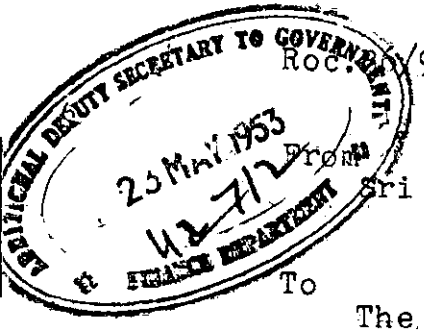
Yours faithfully,

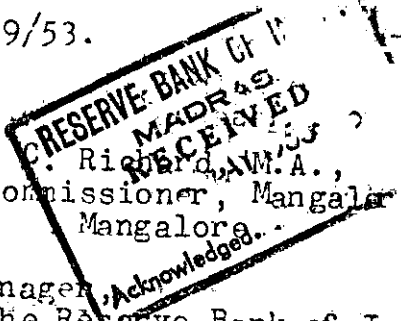
p. MANAGER

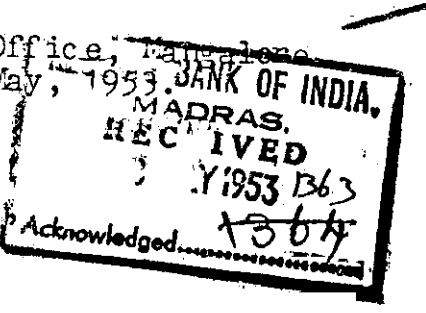
Enc: 1 letter

ADDITIONAL DEPUTY SECRETARY TO GOVERNMENT
42 713
23 MAY 1953
FINANCE DEPARTMENT

E F W No. 2







Roc. 9209/53. Municipal Office, Mangalore
Dated 5th May, 1953.

From

Sri L. C. Richard, M.A.,
Commissioner, Mangalore Municipality,
Mangalore.

To

The Manager,
The Reserve Bank of India, Madras.

Sir,

Sub: ACCOUNTS - Mangalore Municipality - Water Supply & Drainage Scheme - raising of loans in open markets - particulars requested.

The Government in their order No.1098 Health Department dated 26-3-53 have permitted the Mangalore Municipal Council to raise loans in the open market for financing Water Supply & Drainage Scheme In this connection I request you kindly to furnish me with the following particulars.

1. The procedure to be followed in raising loans. The rules and regulations, if any, together with the specimen forms of applications etc. may please be sent
2. When the Reserve Bank of India last raised the loan together with the particulars of rate of interest, issue price etc.
3. The investment received on G.P. Notes covered by item 2. Whether the Reserve Bank of India proposes to raise loan in the near future.

This may please be treated as urgent.

We may forward it to the Bank for return

Richard 6.5.53

Commissioner, M.M.

6/5/53

p.t.o.

3

RESERVE BANK OF INDIA.
MADRAS.
RECEIVED
13 MAY 1953
PUBLIC DEBT OFFICE
Acknowledged .....

G 3593 N.L

Forwarded, in original, to the Assistant Accountant, Public Debt Office, Reserve Bank of India, Madras for disposal.

Reserve Bank of India,
Madras,
9th May 1953.

p. MANAGER.

4 Health W.

Memo Go. (MS) No. , Health, dated

Subj:- Water supply - Mangalore Municipality Raising a loan in open market Instructions issued.

pp2 Dy From the Commissioner, Mangalore Mpty, Rc. B.6. 9209.53, dated 5.5.1953, addressed to the Reserve Bank of India, Madras

p 1 cf From the Manager, Reserve Bank of India, Madras P.D.O/NL/5472, D 21.5.53

The Commissioner, Mangalore Municipality, is informed that ~~as regards the proposal of the Municipality for raising a loan in the open market~~ with reference to the orders contained in G.o. no 1098, Health, dated 26.3.53, the Municipality should submit to Govt an application for ~~raising a loan in the open market~~ in which ~~for loans to be floated~~ the Govt are requested. p3 NF applications ~~to Govt for publication in the Fort St George Gazette~~ The application will be published in Part-I-A of the Fort St. George Gazette. Sanction for raising the loan will be accorded one month after the publication of the ~~loan~~ application in the Gazette. After getting the sanction of Govt ~~as above~~ the Municipality ~~may~~ should proceed to publish widely in the Municipality area a notice calling for subscriptions to the loan giving the terms approved by the Govt

4

F.7/ 2 ~~III~~ The following terms should first be settled by the M.C

(i) ~~2 (i)~~ The currency of the loan may be fixed by the Municipal Council subject to a maximum of 20 years | p 2 NF

(ii) The interest on the loan shall be at the rate of 4½% per annum and be paid annually to the subscribers

(iii) A sinking fund shall be constituted by the Municipality to be utilised for re-payment of the principal of the loan and ~~the Mty.~~ shall pay into the sinking fund annually the amount necessary to secure the sum equal to the principal of the loan, when it is due for payment | p 3 NF

(iv) The amount in the sinking fund may be invested in govt securities.

(v) The annual payment to be made to the sinking fund by the Govt. in consultation with the A.G., if necessary, will be fixed ~~by the A.G.~~ after the loan is sanctioned.

(vi) The Commissioner may fix the issue price of the loan at a suitable rate such as Rs 99 or Rs 99-8-0 for every Rs 100, allowing a brokerage upto two annas for every Rs 100 to recognised bankers and brokers on allotments made in respect of applications for subscriptions bearing their stamps

3 ~~(2)~~ After settling the above details, the Commissioner, Mangalore Municipality, is requested to submit a loan application in the manner indicated in para 1 above | p 1 NF

4. The Municipal Council may issue debentures after framing the proposal as envisaged in due course from the Commissioner, Corporation of Madras, the form in which the debentures should be issued and the formalities (such as stamp duty) connected with the issue of the debentures.

14 VR

K
18.6.53 VR 19/6/53

VR
19-6-53

To
The Commissioner,
Municipal Corporation,
(thro' the Comr.)
Copy to the A.G. (thro' the Fin Deptt)
Copy to the A.G. (by name)
" the Accountant of L.F.As
" the Chief Engineer,
(Two copies)
" to the Law Dept.
" " Fin Deptt
(15 spare copies)

HEALTH (M2) Dept.

G.O. (Ms) No. 2810, Health, dated 20.7.53.

Sub:- Water Supply - Mangalore Municipality - raising a loan in open market - Instructions issued -

From the Commissioner, Mangalore Mpty. Roc. B.6. 9209-53, dated 5.5.1953, addressed to the Reserve Bank of India, Madras.

From the Manager, Reserve Bank of India, Madras, P.D.O/NL/5472, dated 21.5.53.

The Commissioner, Mangalore Municipality, is informed that with reference to the orders contained in G.O. No. 1098, Health, dated 26.3.53, the Municipality should submit to Govt. an application for raising a loan in the open market in the form in which applications for loans from the Govt. are submitted. This application will be published in Part I-A of the Fort St. George Gazette. Sanction for raising the loan will be accorded one month after the publication of the application in the Gazette. After getting the sanction of Govt., the Municipality should proceed to publish widely ~~in the municipal area~~ a notice calling for subscriptions to the loan giving the terms approved by the Govt.

2. The following terms should first be settled by the Mn. Cl.:-

i) The currency of the loan may be fixed by the Municipal Council subject to a maximum of 20 years.

ii) The interest on the loan shall be at the rate of 4½% per annum and be paid annually to the subscribers.

iii) A sinking fund shall be constituted by the Municipality to be utilised for repayment of the principal of the loan and the Municipality shall pay into the sinking fund annually the amount necessary to secure the

p.t.o

sum equal to the principal of the loan, when it is due for payment.

iv) The amount in the sinking fund may be invested in Govt. securities.

v) The annual payment to be made to the sinking fund will be fixed by the Govt. in consultation with the A.G., if necessary, after the loan is sanctioned.

vi) The Council may fix the issue price of the loan at a suitable rate such as Rs. 99/- or Rs. 99.8.0 for every Rs.100/-, allowing a brokerage upto two annas for every Rs. 100/- to recognised bankers and brokers on allotments made in respect of applications for subscriptions bearing their stamps

3. After settling the above details, the Commissioner, Mangalore Municipality, ~~is requested~~ should submit a loan application in the manner indicated in para 1 above. This attention is, in this connection, invited to G.O. No. 1823, 28.11 Health, dated 27-7-53

4. The Municipal Council may issue debentures after raising the loan and ascertaining in due course from the Commissioner, Corporation of Madras, the form in which the debentures should be issued and the formalities (such as stamp duty) connected with the issue of the debentures.

To

The Commr. Mangalore Mpty. (thro' the C.M.C.)

Copy to:

The A.G., Madras, (thro' the Fin. Deptt.)
The A.G. (by name)
The Examr. of L.F.Accts.
The C.E., P.W.D. (Cl. & Bldgs.) (2 copies)
The L.A. Dept.
The Fin. Deptt.
~~(15 spare copies)~~
copy to the Andhra State
" the Mysore State

Finance (W&M) Dept.

Sub: Open market loan by the Mangalore Municipality for their water supply and drainage scheme.

Ref: From the Reserve Bank of India, Madras, No.PDO/NL/5472 dated 21-5-53.

In G.O.1098 Health, dated 26-3-53, the Govt. have permitted Municipalities to raise loans in the open market for financing their Water Supply and Drainage Schemes, subject to certain conditions.

In this letter on page 2 of F.

2. the Commissioner, Mangalore Municipality, wants to know the procedure to be followed in raising open market loans. The letter has been addressed to the Reserve Bank of India, Madras, and the Bank has forwarded it to this Dept. for disposal.

2 The loans raised by local bodies are governed by the rules prescribed in the Local Authorities Loans Rules, 1937, in Appendix 17 to the M.F.C. Vol.II. The procedure followed by the State Govt. in raising their open market loans is somewhat different from that followed by local bodies. Previously Madurai Municipal Council and the Visakhapatnam Municipal Council had been permitted to raise loans in the market for specific purposes, and the instructions for the issue of these loans were not issued in Finance. Apparently they were issued by the L.A.Dept. The case may be transferred to L.A. for further action.

3 A copy of the loan notification issued by this Govt. in connection with the 4% Loan, 1964 raised in August 1952 is placed below, and it may be sent to the Mangalore Municipality, if necessary.

Thro' Exp.A.

Diary No. 42713

LOCAL ADMINISTRATION DEPARTMENT
2765
2 JUN 1953

L. A. Dept. (1)

Please see the notes of the Finance Dept. over leaf. The loans raised by Local Bodies are ~~raised~~ governed by the rules prescribed in the Local Authorities Loans Rules in Appendix 17 of the M.F.C. Vol II as stated by the Finance Dept at 'A' on page 1 ante. ~~By~~ G.O. No. 2407 Ad. dt. 13.12.50 in which ~~Govt~~ Sanction was accorded for the raising of loan by the Vijayapatnam Municipal Council in the open market is put up at (C). As ~~this~~ Sanction for the raising of the loan in this case has to be accorded by Govt. in the Health Dept. the file may be transferred to the Health Dept. for the issue of necessary instructions to the Comm. Mangalore Mpty. with reference to this letter at page 2 ante.

~~R~~ 10.6.53

10/6/53

The State Govt will charge interest at 4½% (provisional) on loans sanctioned by them to local bodies in ~~the~~ 1953-4. So local bodies may pay interest at ~~the~~ 4½% on loans raised by them from their citizens.

The currency of the loan may be fixed by the Municipal Council subject to a maximum of 20 years. The Council ~~may~~ ~~shall~~ may pay interest annually to the subscribers. The Council may constitute a

sinking fund to be utilised for repayment of the principal of the loan and to pay into the sinking fund annually the amount necessary to secure ~~to~~ an amount equal to the principal of the loan when the principal is due for repayment The amounts in the sinking fund may be invested in Govt securities. The annual payment to the sinking fund will be fixed by the A.G after the loan is sanctioned. The council may also fix the issue price of the loan such as Rs 99 or Rs 99-8-0 for every Rs 100. A brokerage upto annas four per cent may be paid to recognised bankers and brokers on allotments made in respect of applications for the loan bearing their stamp.

After settling these details, the council shd submit to Govt an application for the loan in the form of loan applications of local bodies published in ~~Pass~~ the F.S. Gazette (Part I A etc) Govt ~~the~~ may sanction the raising of the loan one month after publication of the application in the Gazette. After such sanction the council may widely publish in the empty a notice calling for subscriptions to the loan, giving the terms approved by Govt

4

The Council may then issue debentures for the loans raised. The Deputy may in due course ascertain from the Corpn Corporation of Madras the form in which the debentures shd be issued and the formalities (such as Stamp duty) connected with the issue of the debentures.

This may be transferred to Health. Health may instruct the Deputy on the above lines.

RM
11 6 53

12 6 53 Health

Health

LA(Fin) No. 27652-1C
13.6.53

Health Dept

Please see the order of Fin and LA Dept at pp 4 above. The draft order below is for approval from Dept may see before circulation

LA raised 32873

KM 16/6/53

KJ 18-6-53

18/6/53 - AG will interfere in this case vide from 2(v) of the draft. LA & Fin will no doubt offer their specific remarks on this point

19-6-53 LA/Fin.

SECRETARIAT 1046 22 JUN 1953 MADRAS

Health U.O.
No. 32873-M2/53
22.6.53

5

L A

The A.G is the officer who submits an annual report to Govt on all such sinking funds and advises what the annual payments to the sinking funds shd be, with refee to the investments in Govt securities from the funds. The ~~A.G~~ refee to the A.G in para 2(v) of the draft may remain.. Draft may be issued.

22/6/53.

L.A.4.e. 31046-1C
23.6.53

23.6.53

Finance (W&M) Dept.

Previous Finance note on p.1 above.

The draft order may be accepted subject to the following remarks.

Paragraph 2(iii) and (v) ~~of the draft~~ on p.2 above of the draft.

Sinking fund contributions are generally made on a betterment basis, i.e. the contributions are invested so as to earn interest. In the case of long-term loans, the betterment basis is adopted at a rate which may be somewhat less than the rate of interest which the borrower will pay to his lenders. If the Municipality offers an interest of 4%, the betterment rate to be adopted for the sinking fund contribution may be at 3½%. The calculations are worked out in Archard's Tables. Just as L.A. indicate in their orders sanctioning loans to local bodies the amount of annuity payable (equated payment

ADDITIONAL DEPUTY SECRETARY TO GOVERNMENT
24 JUN 1953
5079
FINANCE DEPARTMENT

6/

to cover both principal and interest). Health may also indicate (by reference to the Brokers Tables) the amount of sinking fund contribution which the Municipality should annually set apart, after ascertaining and deciding the amount of loan which the Municipality will issue. The A.G. need not necessarily be asked to make this calculation, but there is no objection to his being consulted

Paragraph 2 (vi) on p.2 of the draft

In the case of Govt. loans, brokerage is restricted to 2 annas percent on applications bearing the stamp of the recognized bankers and brokers. The same rate may probably be adopted. The draft order may otherwise be accepted in Finance.

Para 15 of the loan Noth. at the bottom of the file

25.6.53

Thro' Ex. A

25.6.53

27/53 Health

Fin. No. 50729 dtd 29.6.55

DEPUTY SECRETARY 35389 30 JUN 1958 HEALTH DEPARTMENT

Please see the note of L.A. and Fin. Dept. ord. p 6 ante. Before considering the above points it may be mentioned that in view of the recent orders issued in G.O. 1098, Health dated 26.3.53, permitting municipalities to raise private loans, a reference will be made from various Municipalities regarding the procedure to be adopted for raising these loans. It seems therefore better that a general order is issued laying down the procedure etc.

(There is already a reference from Kumbakonam Mty - vide L.F.)

(W)

It seem is appropriate that the LA Dept. should issue a general instructions in the matter. The file may be returned for issuing general instructions in the matter.

1.7.53 4/7/53 We 2-7-53 LA

The above 33287/B2/53.

2.7.53

33004 2 JUL 1953 SECRETARIAT MADRAS

3/7/53

L.A. Dept. (c)

The notes of the Health Dept. at pp 6-7 above may be perused. There seems to be no necessity to issue general instructions regarding the procedure to be adopted in the raising of loans in the open market as suggested by the Health Dept. for the following reasons.

i) Only very big municipalities will come forward to raise loans in open market.

ii) Such municipalities are few in number and cities like Madurai and Visakhapatnam have already got experience in raising loans in open market.

In the circumstances Health Dept. may furnish to the few cities the required particulars as and when they require them. With these remarks the file may be returned to the Health Dept. who have already been advised on the procedure to be adopted (Vide pp 2-5 ante)

DEPUTY SECRETARY 38024 -8 JUL 1953 HEALTH DEPARTMENT

L.A. No 33004-IC 7.7.1953

8/7/53

9/7/53

9/7/53 10/7/53 Health

8

HEALTH (W2) DEPT.

Please see the draft below, ~~and~~ the notes of L.A., and Finance Depts. at pp. 5-6 ante and the further notin at pp. 6-7 ante.

With reference to the remarks of the Fin. Dept. on paras 2 (iii) and 2 (v) of the draft, no modification of para 2 (iii) seems necessary. The slight alteration indicated in pencil in para 2 (v) of the draft is for approval. Y on pp 5-6 ante

As regards para 2 (vi) of the draft, the suggestion of the Fin. Dept. at X on p. 6 ante may be accepted. Accordingly, a correction has been made in para 2 (vi) of the draft.

A clean copy of the draft is put up for approval and circulation to H (H), M (L.A.) and F (Fin.)

F 15/7/53 — 15/7/53

M — The Municipal authorities have separately asked for permission to raise the loan not only from the residents of the Municipality but also from the residents of the Dt. and from outsiders also. The connected file is in circulation. The last sentence of para 1 of the draft providing for the wide publication of a notice calling for subscriptions in the Municipal area may possibly have to be modified if the permission referred to, is granted.

I am afraid, I will not be granted as was seen from Fin's note in the other file. 16/7

Para 3 of the draft. The M.C. has already submitted an application for permission to floate a loan of Rs 15 lakhs. The question whether the amount of loan should be Rs 15 or Rs 17½ lakhs has been raised and the connected file is in circulation. The application will have to undergo revision later on.

M — As the draft below sets out the procedure in general, it may be approved. The question

32973

of effecting slight changes in terms 1 and 3 of the draft will be considered after a decision is taken on the file referred to at 'M' on page 8 ante.

VR
15-7-53

I have checked I think to issue orders, after orders are passed in the other file referred to above which both the file be clubbed

SMS
16/7/53

Spoken to Secy. He over like to obtain file returned from D/F

M
16/7/53

Health
H

Orders have since been passed in the top file. The alterations indicated in the draft below are for approval & may issue after approval by M(H)

X dictated sent to SA/Sir

K
22.7.53

SECRETARY
24 JUL 1953
HEALTH DEPARTMENT

VR
22-7-53

S

S.A. Sahlehan
23.7.53

5/7
Orders
23/7/53

Awaiting return of file from M(H) Secy
23/7

Return file to Health Branch
SA
24/7/53

32973

of effecting slight changes in terms 1 and 3 of the draft will be considered after a decision is taken on the file referred to at 'M' on page 8 ante

VR
15-7-53

S 20.7.53

Shri Lucki, I think to issue orders, after orders are passed in the other file referred to above who will both the file be clubbed

SRS
16/7/53

Spoken to Secy. Lie over till the other file returns from CM

h
16/7/53

Heads
M

orders have since been passed in the top file. The alterations indicated in the draft below are now approved & may issue after approval by M(H)

K dellivered sent to SA/Sir.

K
22.7.53

VR
22-7-53

S
22/7/53

SA Sulehari
23.7.53

SECRETARY
24 JUL 1953
HEALTH DEPARTMENT

5/7
Orders
23/7/53

Awaiting views of M(H) on the draft
Files Branch
SA/A
24/7/53

M(H) 23/7